

## Message Text

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PAGE 01 STATE 157236

73

ORIGIN AGR-20

INFO OCT-01 EA-11 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 SWF-02

COME-00 TAR-02 L-03 CIAE-00 INR-11 NSAE-00 /125 R

DRAFTED BY USDA/BIS:PMACKIE

APPROVED BY EB/ORF/OFD/FPD:MPBOERNER

USDA:RBELL TRSY:PSUCHMAN

USDA:BMEEKER

USDA:GWHITE

USDA:ERANSOM

USDA:ERBEVIS

TREASURY:BBARREDA

EB/OFD/FPD:RSSIMPSON

EB/STA:JCRAWFORD (INFO)

----- 055532

P 192247Z JUL 74

FM SECSTATE WASHDC

TO AMEMBASSY WELLINGTON PRIORITY

C O N F I D E N T I A L STATE 157236

E.O. 11652: GDS

TAGS: EAGR, NZ

SUBJECT: NEW ZEALAND CALF RETENTION SUBSIDY

IF ASKED FOR COMMENT ON PROPOSED DAIRY CALF RETENTION  
SUBSIDY, YOU SHOULD REPLY ALONG FOLLOWING LINES:

1. USG BELIEVES THAT WITHHOLDING OF CATTLE FROM MARKET  
MAY NOT SOLVE PROBLEM, BUT MERELY SHIFT IT AHEAD. THIS  
WAS EXPERIENCE IN U.S. WHERE VOLUNTARY WITHHOLDING IN  
1973 CONTRIBUTED TO INCREASED SUPPLY PROBLEM IN 1974. THIS  
PROBLEM HAS TWO ASPECTS. NOT ONLY DOES WITHHOLDING CAUSE  
LARGER THAN NORMAL FUTURE SLAUGHTER NUMBERS, BUT WHEN  
EVENTUALLY SLAUGHTERED, WEIGHTS ARE HEAVIER.

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PAGE 02 STATE 157236

2. WORLD CATTLE INVENTORY NUMBERS INDICATE THAT CURRENT

BEEF PROBLEM IS DUE TO CYCLICAL INCREASE IN PRODUCTION ON SUPPLY SIDE AGGRAVATED BY DOWNWARD PRESSURE ON DEMAND DUE TO OIL SITUATION AND OTHER FACTORS. DESPITE INCREASE IN CATTLE SLAUGHTER IN U.S., EC, AND JAPAN IN 1974, WORLD STILL FACES SIGNIFICANT OVERHANG OF CATTLE AND ADDITIONAL SIGNIFICANT INCREASE IN WORLD BEEF PRODUCTION IS IN PROSPECT FOR 1975 AND POSSIBLY 1976. SINCE CONDITIONS FOR SIGNIFICANT IMPROVEMENT IN CONSUMER DEMAND DO NOT APPEAR LIKELY TO DEVELOP IN 1975, POLICIES DESIGNED TO DELAY

SLAUGHTER MAY BE UNWISE AND COULD ADD TO PROBLEM IN FUTURE.

3. TREASURY DEPARTMENT ADVISES THAT IF COUNTERVAILING DUTY PROCEEDINGS SHOULD EVENTUALLY BE INITIATED, THERE IS POSSIBILITY THAT PROPOSED NEW ZEALAND CALF RETENTION SUBSIDY COULD BE CONSIDERED BOUNTY OR GRANT WITHIN MEANING US LAW. WHILE IT IMPOSSIBLE NOW ASSESS THE DEGREE OF PROBABILITY THIS OCCURRING, IT IMPORTANT THAT GONZ UNDERSTAND NATURE US COUNTERVAILING DUTY LAW AND FACT THAT SOME INDIRECT SUBSIDIES HAVE IN PAST BEEN COUNTERVAILED.

4. USG HAS SOUGHT DEAL WITH CURRENT BEEF PROBLEM WITHOUT RESORTING TO RESTRICTIVE MEASURES, AND HAS URGED BOTH EC AND JAPAN TO DEAL WITH THEIR PROBLEMS IN MANNER WHICH WOULD NOT PUT BURDEN OF ADJUSTMENT ON OTHER COUNTRIES. EMBASSY MAY DRAW ON REF (B) FOR GENERAL BACKGROUND ON US POLICY RE CURRENT LIVESTOCK AND MEAT PROBLEMS, TO EXTENT APPLICABLE TO COUNTRIES SUCH AS NEW ZEALAND. INGERSOLL

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** LIVESTOCK, MEATS, SUBSIDIES, COUNTERVAILING DUTIES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 19 JUL 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** ShawDG  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Drafter:** PMACKIE  
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**Executive Order:** GS  
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**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
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30 JUN 2005

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**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** NEW ZEALAND CALF RETENTION SUDSIDY IF ASKED FOR COMMENT ON PROPOSED DAIRY CALF RETENTION  
**TAGS:** EAGR, NZ  
**To:** WELLINGTON  
**Type:** TE  
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